

**VILLAGE OF BINGHAM FARMS  
Oakland County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2008**



VILLAGE OF BINGHAM FARMS  
For the Year Ended June 30, 2008  
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For the Year Ended June 30, 2008

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## FINANCIAL SECTION





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## Independent Auditor's Report

August 28, 2008

To the Village President and Council  
Village of Bingham Farms, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Village of Bingham Farms, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Bingham Farms's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Village of Bingham Farms as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Village President and Council  
Village of Bingham Farms, Michigan  
August 28, 2008

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Bingham Farms's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink, reading "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants



## **Management's Discussion and Analysis**

As management of the Village of Bingham Farms, we offer readers of the Village of Bingham Farms financial statements this narrative overview and analysis of the financial activities of the Village of Bingham Farms for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **Financial Highlights**

- The assets of the Village of Bingham Farms exceeded its liabilities at the close of the most recent fiscal year by \$4,477,489 (*net assets*). Of this amount, \$2,307,964 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$241,841.
- At the close of the most recent fiscal year, the Village of Bingham Farms' governmental funds reported combined ending fund balances of \$2,681,925. All of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,075,188, or 133 percent of total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Village of Bingham Farms's basic financial statements, which have three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements.

### **Government-wide financial statements.**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Bingham Farms' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Bingham Farms' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Bingham Farms is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Bingham Farms that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Bingham Farms include public safety, public works, recreation and culture, and general administrative services. The business-type activities of the Village of Bingham Farms include water and wastewater services.

The government-wide financial statements can be found on pages 11-13 of this report.

### **Fund financial statements.**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Bingham Farms, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Bingham Farms can be divided into three categories: governmental funds and proprietary funds.

### **Governmental funds.**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the

governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major streets fund, and the local streets fund, each of which is considered to be a major fund.

The Village of Bingham Farms adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

### ***Proprietary funds.***

The Village of Bingham Farms maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Bingham Farms uses an enterprise fund to account for its water and wastewater activities.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the Village of Bingham Farms. Oakland County Department of Public Works essentially provides all of the administration, maintenance activities, and financial processing of this fund.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

### **Notes to the financial statements.**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-30 of this report.

## Government-wide Financial Analysis

Assets exceeded liabilities by \$4,477,489 at the close of the most recent fiscal year. Of the Village of Bingham Farms' net assets, 35 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Bingham Farms uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Village of Bingham Farm's Net Assets

|                                   | Governmental Activities |              | Business-type Activities |            | Total        |              |
|-----------------------------------|-------------------------|--------------|--------------------------|------------|--------------|--------------|
|                                   | 2008                    | 2007         | 2008                     | 2007       | 2008         | 2007         |
| Current and other assets          | \$ 2,745,437            | \$ 2,556,466 | \$ 211,247               | \$ 138,520 | \$ 2,956,684 | \$ 2,694,986 |
| Capital Assets                    | 1,170,076               | 1,119,222    | 392,712                  | 448,814    | 1,562,788    | 1,568,036    |
| Total Assets                      | 3,915,513               | 3,675,688    | 603,959                  | 587,334    | 4,519,472    | 4,263,022    |
| Long-term liabilities outstanding | -                       | -            | -                        | -          | -            | -            |
| Other liabilities                 | 41,983                  | 27,374       | -                        | -          | 41,983       | 27,374       |
| Total Liabilities                 | 41,983                  | 27,374       | -                        | -          | 41,983       | 27,374       |
| Net Assets:                       |                         |              |                          |            |              |              |
| Invested in capital assets,       |                         |              |                          |            |              |              |
| net of related debt               | 1,170,076               | 1,119,222    | 392,712                  | 448,814    | 1,562,788    | 1,568,036    |
| Restricted                        | 606,737                 | -            | -                        | -          | 606,737      | -            |
| Unrestricted                      | 2,096,717               | 2,529,092    | 211,247                  | 138,520    | 2,307,964    | 2,667,612    |
| Total Net Assets                  | \$ 3,873,530            | \$ 3,648,314 | \$ 603,959               | \$ 587,334 | \$ 4,477,489 | \$ 4,235,648 |

At the end of the current fiscal year, the Village of Bingham Farms is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Net assets increased by \$241,841 during the current fiscal year.



**Governmental activities.**

Governmental activities increased net assets by \$225,216, accounting for 93 percent of the total growth in the net assets of the Village of Bingham Farms.

## Village of Bingham Farms - Change in Net Assets

|                                  | Governmental Activities |            | Business-type Activities |             | Total      |            |
|----------------------------------|-------------------------|------------|--------------------------|-------------|------------|------------|
|                                  | 2008                    | 2007       | 2008                     | 2007        | 2008       | 2007       |
| Revenues:                        |                         |            |                          |             |            |            |
| Program Revenues:                |                         |            |                          |             |            |            |
| Charges for Services             | \$ 282,306              | \$ 253,694 | \$ 561,298               | \$ 522,124  | \$ 843,604 | \$ 775,818 |
| Operating Grants & Contributions | -                       | -          | -                        | -           | -          | -          |
| Capital Grants & Contributions   | -                       | -          | -                        | -           | -          | -          |
| General Revenues:                |                         |            |                          |             |            |            |
| Property Taxes                   | 1,362,979               | 1,315,583  | -                        | -           | 1,362,979  | 1,315,583  |
| State Shared Revenues            | 131,891                 | 133,210    | -                        | -           | 131,891    | 133,210    |
| Franchise Fees                   | 11,257                  | 13,301     | -                        | -           | 11,257     | 13,301     |
| Unrestricted Investment Earnings | 131,061                 | 120,433    | 23,667                   | 23,499      | 154,728    | 143,932    |
| Total Revenues                   | 1,919,494               | 1,836,221  | 584,965                  | 545,623     | 2,504,459  | 2,381,844  |
| Expenses:                        |                         |            |                          |             |            |            |
| General Government               | 360,933                 | 458,868    | -                        | -           | 360,933    | 458,868    |
| Public Safety                    | 946,937                 | 857,402    | -                        | -           | 946,937    | 857,402    |
| Public Works                     | 249,568                 | 92,131     | -                        | -           | 249,568    | 92,131     |
| Community Development            | 10,705                  | 4,599      | -                        | -           | 10,705     | 4,599      |
| Recreation and Cultural          | 126,135                 | 117,197    | -                        | -           | 126,135    | 117,197    |
| Water and Sewer                  | -                       | -          | 568,340                  | 558,747     | 568,340    | 558,747    |
| Total Expenses                   | 1,694,278               | 1,530,197  | 568,340                  | 558,747     | 2,262,618  | 2,088,944  |
| Change in Net Assets             | \$ 225,216              | \$ 306,024 | \$ 16,625                | \$ (13,124) | \$ 241,841 | \$ 292,900 |

Key elements of this net asset increase (\$ rounded to thousands) are as follows:

- Increase in property tax revenue of \$47,000
- Increase in investment earnings of \$10,000

Decrease in net assets due to key increases in operating expenditures included:

- Increase in public works expenses, due mostly to local road repaving projects

**Business-type activities.**

Business-type activities increased net assets by \$16,625, accounting for 7 percent of the total growth in net assets.

**Financial Analysis of the Government's Funds**

As noted earlier, the Village of Bingham Farms uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.**

The focus of the Village of Bingham Farms' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$2,681,925, all of which constitutes *unreserved fund balance*, which is available for spending at the government's discretion. Total governmental fund balances increased \$170,490 for the 2007-2008 fiscal year as compared to the 2006-2007 fiscal year.

The General Fund is the chief operating fund of the Village of Bingham Farms. At the end of the current fiscal year, the total fund balance of the general fund was \$2,075,188, all of which is unreserved. General Fund fund balance represents 133 percent of total general fund expenditures.

The fund balance of the Village's General Fund decreased by \$23,823 during the fiscal year. This was expected, inasmuch as the adopted budget contained an appropriation of prior years' surplus in order to balance.

**Proprietary funds.**

The Village of Bingham Farms' proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$211,247.

## **General Fund Budgetary Highlights**

There were no differences between the original budget and the final amended budget total in revenues or expenditures.

## **Capital Asset and Debt Administration**

### **Capital assets.**

The Village of Bingham Farms' investment in capital assets for its governmental and business type activities is \$1,562,788 (net of accumulated depreciation). This investment in capital assets includes equipment, roads, bridges, water supply sewage disposal system, and construction in progress. The total decrease in the Village of Bingham Farms' investment in capital assets for the current fiscal year was \$5,248 mostly due to depreciation.

Major capital asset events during the current fiscal year included the following road projects: Bingham Lane was completed in fiscal year 2008, and Hickory Hollow, Shagwood and Fromm were construction in progress as of June 30, 2008. Also, the Village purchased a copy machine in the current fiscal year.

Additional information on the Village of Bingham Farms's capital assets can be found in note III.B on page 27 of this report.

### **Long-term debt.**

During the fiscal year ended June 30, 2008, the Village issued no new debt and had no principal or interest payments.

## **Economic Factors and Next Year's Budgets and Rates**

The complete replacement of Village roads was begun several years ago. Proposed continuation of necessary road replacement program, includes completion of Hickory Hollow, Old Orchard Trail, Shagwood Drive, and Fromm. Also, the Village has begun a non-motorized pathway project to enhance the path that currently runs from Old Stage to the Bingham Farms Elementary School.

Major road repair expenses will include Hickory Hollow, Timber Trail, as well as some replacement plantings on the roadsides.

The millage rate for the 2008 tax roll was maintained at 6.80 mills.

State shared revenues are expected to remain flat based on estimates provided by the State. The fiscal year 2008-2009 budget reflects this.

### **Requests for Information**

This financial report is designed to provide a general overview of the Village of Bingham Farms finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Karin Ludwick, Treasurer, Village of Bingham Farms, 24255 Thirteen Mile Road, Bingham Farms, Michigan 48025.

## BASIC FINANCIAL STATEMENTS



**VILLAGE OF BINGHAM FARMS**  
**Statement of Net Assets**  
**June 30, 2008**

|   | Primary Government         |                             |                     |
|---|----------------------------|-----------------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total               |
| <b><u>ASSETS</u></b>                              |                            |                             |                     |
| Cash and Cash Equivalents                         | \$ 2,700,341               | \$ -                        | \$ 2,700,341        |
| Receivables (net of allowance for uncollectibles) | 24,262                     | -                           | 24,262              |
| Due from Other Governmental Units                 | 20,834                     | 211,247                     | 232,081             |
| Capital Assets not being depreciated              | 189,419                    | -                           | 189,419             |
| Capital Assets being depreciated, net             | 980,657                    | 392,712                     | 1,373,369           |
| Total Assets                                      | <u>3,915,513</u>           | <u>603,959</u>              | <u>4,519,472</u>    |
| <b><u>LIABILITIES</u></b>                         |                            |                             |                     |
| Accounts Payable                                  | 37,143                     | -                           | 37,143              |
| Accrued Liabilities                               | 4,840                      | -                           | 4,840               |
| Total Liabilities                                 | <u>41,983</u>              | <u>-</u>                    | <u>41,983</u>       |
| <b><u>NET ASSETS</u></b>                          |                            |                             |                     |
| Invested in Capital Assets, net of related debt   | 1,170,076                  | 392,712                     | 1,562,788           |
| Restricted for Highways and Streets               | 606,737                    | -                           | 606,737             |
| Unrestricted                                      | 2,096,717                  | 211,247                     | 2,307,964           |
| Total Net Assets                                  | <u>\$ 3,873,530</u>        | <u>\$ 603,959</u>           | <u>\$ 4,477,489</u> |

**VILLAGE OF BINGHAM FARMS**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

|                                  |                     | Program Revenues  |               |               |
|----------------------------------|---------------------|-------------------|---------------|---------------|
|                                  |                     | Charges for       | Operating     | Capital       |
|                                  | Expenses            | Services          | Grants and    | Grants and    |
|                                  |                     |                   | Contributions | Contributions |
| <b><u>Functions/Programs</u></b> |                     |                   |               |               |
| <b>Primary Government:</b>       |                     |                   |               |               |
| Governmental Activities:         |                     |                   |               |               |
| General Government               | \$ 360,933          | \$ 9,879          | \$ -          | \$ -          |
| Public Safety                    | 946,937             | 9,049             | -             | -             |
| Public Works                     | 249,568             | 263,378           | -             | -             |
| Community Development            | 10,705              | -                 | -             | -             |
| Recreation and Cultural          | 126,135             | -                 | -             | -             |
| Total Governmental Activities    | <u>1,694,278</u>    | <u>282,306</u>    | <u>-</u>      | <u>-</u>      |
| Business-type Activities:        |                     |                   |               |               |
| Water and Sewer                  | <u>568,340</u>      | <u>561,298</u>    | <u>-</u>      | <u>-</u>      |
| Total Primary Government         | <u>\$ 2,262,618</u> | <u>\$ 843,604</u> | <u>\$ -</u>   | <u>\$ -</u>   |

General Revenues:  
Property Taxes  
State Shared Revenue  
Franchise Fees  
Unrestricted Investment Earnings  
Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending



**Net (Expense) Revenue and Changes in Net Assets**

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |
|------------------------------------|-------------------------------------|---------------------|
| \$ (351,054)                       | \$ -                                | \$ (351,054)        |
| (937,888)                          | -                                   | (937,888)           |
| 13,810                             | -                                   | 13,810              |
| (10,705)                           | -                                   | (10,705)            |
| (126,135)                          | -                                   | (126,135)           |
| <u>(1,411,972)</u>                 | <u>-</u>                            | <u>(1,411,972)</u>  |
| <br>                               |                                     |                     |
| <u>-</u>                           | <u>(7,042)</u>                      | <u>(7,042)</u>      |
| <br>                               |                                     |                     |
| <u>(1,411,972)</u>                 | <u>(7,042)</u>                      | <u>(1,419,014)</u>  |
| <br>                               |                                     |                     |
| 1,362,979                          | -                                   | 1,362,979           |
| 131,891                            | -                                   | 131,891             |
| 11,257                             | -                                   | 11,257              |
| 131,061                            | 23,667                              | 154,728             |
| <u>1,637,188</u>                   | <u>23,667</u>                       | <u>1,660,855</u>    |
| <br>                               |                                     |                     |
| 225,216                            | 16,625                              | 241,841             |
| <br>                               |                                     |                     |
| <u>3,648,314</u>                   | <u>587,334</u>                      | <u>4,235,648</u>    |
| <br>                               |                                     |                     |
| <u>\$ 3,873,530</u>                | <u>\$ 603,959</u>                   | <u>\$ 4,477,489</u> |

**VILLAGE OF BINGHAM FARMS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

|  | <u>General</u>      | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------|----------------------|---|
| <b><u>ASSETS</u></b>                                 |                     |                      |                      |   |
| Cash and Cash Equivalents                            | \$ 2,246,143        | \$ 218,609           | \$ 235,589           | \$ 2,700,341                            |
| Receivables (net of allowance<br>for uncollectibles) | 21,529              | -                    | -                    | 21,529                                  |
| Special Assessment Receivable                        | 2,733               | -                    | -                    | 2,733                                   |
| Due from State                                       | 11,148              | 6,334                | 3,352                | 20,834                                  |
| Due from Other Funds                                 | -                   | -                    | 150,000              | 150,000                                 |
|  | <u>-</u>            | <u>-</u>             | <u>150,000</u>       | <u>150,000</u>                          |
| Total Assets   | \$ <u>2,281,553</u> | \$ <u>224,943</u>    | \$ <u>388,941</u>    | \$ <u>2,895,437</u>                     |

**LIABILITIES AND FUND BALANCE**

|                                    |                     |                   |                   |                  |
|------------------------------------|---------------------|-------------------|-------------------|------------------|
| Liabilities:                       |                     |                   |                   |                  |
| Accounts Payable                   | \$ 29,996           | \$ 3,109          | \$ 4,038          | \$ 37,143        |
| Accrued and Other Liabilities      | 4,840               | -                 | -                 | 4,840            |
| Due to Other Funds                 | 150,000             | -                 | -                 | 150,000          |
| Deferred Revenue                   | 21,529              | -                 | -                 | 21,529           |
| Total Liabilities                  | <u>206,365</u>      | <u>3,109</u>      | <u>4,038</u>      | <u>213,512</u>   |
| Fund Balances:                     |                     |                   |                   |                  |
| Unreserved, reported in:           |                     |                   |                   |                  |
| General Fund                       | 2,075,188           | -                 | -                 | 2,075,188        |
| Special Revenue Funds              | -                   | 221,834           | 384,903           | 606,737          |
| Total Fund Balance                 | <u>2,075,188</u>    | <u>221,834</u>    | <u>384,903</u>    | <u>2,681,925</u> |
| Total Liabilities and Fund Balance | \$ <u>2,281,553</u> | \$ <u>224,943</u> | \$ <u>388,941</u> |                  |

Amounts reported for governmental activities in the statement of net assets:  
are different because:

Capital Assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds:

|                                |           |
|--------------------------------|-----------|
| Capital Assets                 | 1,889,520 |
| Less: Accumulated Depreciation | (719,444) |

Because the focus of governmental funds is on short-term financing, some assets  
will not be available to pay for current period expenditures. Those assets are offset  
by deferred revenue.

|                  |               |
|------------------|---------------|
| Deferred Revenue | <u>21,529</u> |
|------------------|---------------|

|                                       |                     |
|---------------------------------------|---------------------|
| Net Assets of Governmental Activities | \$ <u>3,873,530</u> |
|---------------------------------------|---------------------|

**VILLAGE OF BINGHAM FARMS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

|  | <u>General</u>      | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------|----------------------|---|
| <b><u>Revenues</u></b>                               |                     |                      |                      |   |
| Property Taxes                                       | \$ 1,359,107        | \$ -                 | \$ -                 | \$ 1,359,107                            |
| Intergovernmental-State                              | 72,767              | 38,667               | 20,457               | 131,891                                 |
| Charges for Services                                 | 12,604              | -                    | -                    | 12,604                                  |
| Fines and Forfeitures                                | 9,049               | -                    | -                    | 9,049                                   |
| Franchise Fees                                       | 11,257              | -                    | -                    | 11,257                                  |
| Special Assessments                                  | 260,653             | -                    | -                    | 260,653                                 |
| Interest   | 115,651             | 9,246                | 6,164                | 131,061                                 |
| Total Revenues                                       | <u>1,841,088</u>    | <u>47,913</u>        | <u>26,621</u>        | <u>1,915,622</u>                        |
| <b><u>Expenditures</u></b>                           |                     |                      |                      |   |
| Current:   |                     |                      |                      |   |
| General Government                                   | 355,065             | -                    | -                    | 355,065                                 |
| Public Safety  | 946,937             | -                    | -                    | 946,937                                 |
| Public Works   | 113,413             | 28,058               | 19,948               | 161,419                                 |
| Community Development                                | 10,705              | -                    | -                    | 10,705                                  |
| Recreation and Cultural                              | 126,135             | -                    | -                    | 126,135                                 |
| Other Functions                                      | 12,656              | -                    | -                    | 12,656                                  |
| Capital Outlay                                       | -                   | -                    | 132,215              | 132,215                                 |
| Total Expenditures                                   | <u>1,564,911</u>    | <u>28,058</u>        | <u>152,163</u>       | <u>1,745,132</u>                        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>276,177</u>      | <u>19,855</u>        | <u>(125,542)</u>     | <u>170,490</u>                          |
| <b><u>Other Financing Sources (Uses)</u></b>         |                     |                      |                      |   |
| Transfers In   | -                   | -                    | 300,000              | 300,000                                 |
| Transfers Out  | <u>(300,000)</u>    | <u>-</u>             | <u>-</u>             | <u>(300,000)</u>                        |
| Total Other Financing<br>Sources (Uses)              | <u>(300,000)</u>    | <u>-</u>             | <u>300,000</u>       | <u>-</u>                                |
| Net Change in Fund Balance                           | (23,823)            | 19,855               | 174,458              | 170,490                                 |
| Fund Balance - Beginning                             | <u>2,099,011</u>    | <u>201,979</u>       | <u>210,445</u>       | <u>2,511,435</u>                        |
| Fund Balance - Ending                                | <u>\$ 2,075,188</u> | <u>\$ 221,834</u>    | <u>\$ 384,903</u>    | <u>\$ 2,681,925</u>                     |

**VILLAGE OF BINGHAM FARMS**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

|  |                          |
|--|--------------------------|
| Net change in fund balance - total governmental funds  | \$ 170,490               |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. |                          |
| Add: Capital Outlay-General Fund   | 6,788                    |
| Add: Capital Outlay-Local Street Fund  | 132,215                  |
| Deduct: Depreciation Expense   | (88,149)                 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.                         |                          |
| Add: Net Difference of Deferred Revenue  | <u>3,872</u>             |
| Change in net assets in governmental activities  | <u><u>\$ 225,216</u></u> |

**VILLAGE OF BINGHAM FARMS**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2008**

|                                | <b><u>Enterprise Fund</u></b><br><b><u>Water &amp; Sewer</u></b> |
|--------------------------------|--|
| <b><u>ASSETS</u></b>           |  |
| Current Assets:                |  |
| Due from Other Governments     | \$ <u>211,247</u>  |
| Noncurrent Assets:             |  |
| Capital Assets                 | 2,244,069  |
| Less: Accumulated Depreciation | <u>(1,851,357)</u>   |
| Total Noncurrent Assets        | <u>392,712</u>   |
| Total Assets                   | <u>603,959</u>   |
| <b><u>NET ASSETS</u></b>       |  |
| Investment in Capital Assets   | 392,712  |
| Unrestricted                   | <u>211,247</u>   |
| Total Net Assets               | \$ <u><u>603,959</u></u>   |

**VILLAGE OF BINGHAM FARMS**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2008**

|  | <u>Enterprise Fund</u><br><u>Water &amp; Sewer</u> |
|--|--|
| <b><u>Operating Revenues:</u></b>                |  |
| Charges for Services                             | \$ <u>561,298</u>                                  |
| <b><u>Operating Expenses:</u></b>                |  |
| Water Supply                                     | 242,509  |
| Sewage Disposal System                           | 256,926  |
| Depreciation Expense                             | <u>56,102</u>                                      |
| Total Operating Expenses                         | <u>555,537</u>                                     |
| Operating Income (Loss)                          | <u>5,761</u>                                       |
| <b><u>Non-Operating Revenues (Expenses):</u></b> |  |
| Interest Income                                  | 23,667   |
| Interest Expense                                 | (1,137)  |
| Other  | <u>(11,666)</u>                                    |
| Total Non-Operating Revenues (Expenses)          | <u>10,864</u>                                      |
| Net Income (Loss)                                | 16,625   |
| Net Assets, Beginning                            | <u>587,334</u>                                     |
| Net Assets, Ending                               | \$ <u><u>603,959</u></u>                           |

**VILLAGE OF BINGHAM FARMS**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2008**

|  | <b><u>Enterprise Fund</u></b><br><b><u>Water &amp; Sewer</u></b> |
|--|--|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>           |  |
| Receipts from customers and users                            | \$ 514,251   |
| Payments to Suppliers  | <u>(499,435)</u>   |
| Net Cash Provided by Operating Activities                    | <u>14,816</u>  |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>           |  |
| Transfer to Oakland County Operation Reserves                | (7,339)  |
| Transfer to Oakland County Special Reserves                  | (375)  |
| Investment Income  | 23,667   |
| Interest Payments  | <u>(1,137)</u>   |
| Net Cash Provided (Used) by Investing Activities             | <u>14,816</u>  |
| Net Increase (Decrease) in Cash and Cash Equivalents         | -  |
| Cash and Cash Equivalents, Beginning                         | <u>-</u>   |
| Cash and Cash Equivalents, Ending                            | <u><u>\$ -</u></u>   |
| <b><u>Reconciliation of Operating Income to Net Cash</u></b> |  |
| <b><u>Provided (Used) by Operating Activities:</u></b>       |  |
| Operating Income (Loss)                                      | \$ 5,761   |
| Adjustments to Reconcile Operating Income (Loss) to          |  |
| Net Cash Provided (Used) by Operating Activities:            |  |
| Depreciation Expense   | 56,102   |
| (Increase) Decrease in Receivables                           | <u>(47,047)</u>  |
| Net Cash Provided by Operating Activities                    | <u><u>\$ 14,816</u></u>  |

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Bingham Farms, Michigan, is a municipal corporation governed by an elected president and six trustees. There are no component units to be included in these financial statements as defined by generally accepted accounting principles.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Governmental Funds

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund is a special revenue fund used to account for the activities, maintenance and capital improvements of the Village's major streets.

The Local Street Fund is a special revenue fund used to account for the activities, maintenance and capital improvements of the Village's local streets.

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the enterprise fund types.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Village Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Village has one enterprise fund which is the Water and Sewer Fund.

The Water and Sewer Fund accounts for the activities of the Village's water distribution, water treatment, sewage disposal and sewage treatment systems. The Village has entered into contracts with the Oakland County Department of Public Works for the operation and maintenance of water and sewage disposal systems within the Village limits. Under the terms of these contracts, the Oakland County Department of Public Works is responsible for system maintenance as well as meter readings, billings to customers and collections. Under Michigan Committee on Governmental Accounting and Auditing Statement 10 (MCGAA), the local unit's Enterprise Fund would record the operations of the system. The Village has recorded the information provided by Oakland County through June 30, 2008, as adjusted for depreciation, in the Village's Water and Sewer Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables, of \$40,582 are shown net of allowance for uncollectible accounts \$19,053, for a net receivable balance of \$21,529 at June 30, 2008.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets

The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$50,000 for infrastructure and an estimated useful life in excess of two years. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>                  | <u>Years</u> |
|--------------------------------|--------------|
| Public Domain Infrastructure   | 10-20        |
| Water and Sewer Infrastructure | 10-40        |
| Office Equipment               | 7            |

4. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Budgets must be adopted for the General and Special Revenue Funds.
2. Budgets must be balanced.
3. Budgets must be amended as necessary.
4. Public hearings must be held prior to adoption.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Village Council requires the Village Treasurer to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in May. The Village Treasurer is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions, the total of which was not significant in relation to the original budget appropriation valuations. A comparison of actual results of operations to the general fund and special revenue fund budgets as adopted and amended by the Village Council is included in the basic financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2008.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Budgets for the General Fund and Special Revenue Funds are adopted at the activity level. Expenditures exceeded budgetary appropriations for the following activities as of June 30, 2008.

|                           | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------|-------------------------|---------------|-----------------|
| General Fund:             |                         |               |                 |
| Legislative               | \$ 866                  | \$ 1,238      | \$ 372          |
| Engineering               | 13,000                  | 16,212        | 3,212           |
| Traffic and Street Lights | 750                     | 3,271         | 2,521           |

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement number 40 is presented, regarding the Village's deposits and investments:

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2008, the Village's book balance of its deposits was \$2,700,136; the total book balance was \$2,700,341, due to \$205 in cash on hand. The bank balance was \$2,841,411 which was exposed to custodial credit risk, as follows:

|                                | <u>Bank<br/>Balance</u> |
|--------------------------------|-------------------------|
| Insured by F.D.I.C.            | \$1,582,797             |
| Uninsured and Uncollateralized | <u>1,258,614</u>        |
| Total                          | <u>\$2,841,411</u>      |

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

Interest Rate Risk. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Villages deposits and investments consisted of the following:

| <u>Deposits and Investments</u>             | <u>Fair Value</u>   | <u>Weighted Average<br/>Maturity</u> |
|---|---------------------|--------------------------------------|
| Savings and Checking Accounts               | \$ 827,482          | Demand                               |
| Money Market Accounts (Share price=\$1)     | 110,641             | Demand                               |
| Pooled Investments(Share price=\$1)         | 219,209             | Demand                               |
| Certificates of Deposits-One year or Less   | 1,288,060           | 360 days                             |
| Certificates of Deposits-More than one year | <u>396,019</u>      | 1,035 days                           |
|   | <u>\$ 2,841,411</u> |                                      |

Concentration of Credit Risk. The Village's investment policy places no limit on the amount the Village may invest in any one issuer.



VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

|                        |                     |                  |
|------------------------|---------------------|------------------|
| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
| Local Streets Fund     | General Fund        | <u>\$150,000</u> |
| <u>Transfer In</u>     | <u>Transfer Out</u> | <u>Amount</u>    |
| Local Streets Fund     | General Fund        | <u>\$300,000</u> |

Interfund receivable represents funds transferred after the fiscal year end.

The interfund transfer represents a contribution by the General Fund to the Local Streets Fund for street improvement projects.

D. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2008, is presented below:

|   | <u>General<br/>Fund</u> | <u>Major<br/>Streets</u> | <u>Local<br/>Streets</u> |
|---|-------------------------|--------------------------|--------------------------|
| Unreserved:   |                         |                          |                          |
| Designated for<br>Subsequent Year's<br>Expenditures | \$ 349,786              | \$ 22,978                | \$ -                     |
| Undesignated  | 1,725,402               | 198,856                  | 384,903                  |
| Total Fund Balance                                  | <u>\$ 2,075,188</u>     | <u>\$ 221,834</u>        | <u>\$ 384,903</u>        |

E. Property Taxes

Property tax assessments are determined as of each December 31, the lien date. Taxes are levied on July 1 of the following year. Property taxes are payable without penalty and interest if paid in full by August 31. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County.

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The Village's general operating tax rate for the 2007 tax roll was 6.80 mills with an additional 2.7388 mills for the police special assessment district, and 0.2881 mills for the Woodlynne Pump special assessment district.



VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers substantially all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2005 as follows:

|                |       |
|----------------|-------|
| General-Admin. | 7.67% |
|----------------|-------|

VILLAGE OF BINGHAM FARMS  
Notes to Financial Statements  
June 30, 2008

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost

During the fiscal year ended June 30, 2008, the Village's contributions totaling \$11,071 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

| <u>Fiscal Year<br/>Ended<br/>June 30,</u> | <u>Valuation<br/>Date<br/>Dec. 31</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|---|---------------------------------------|--|--|---------------------------------------|
| 2006                                      | 2003                                  | \$44,899                                 | 100%   | \$-0-                                 |
| 2007                                      | 2004                                  | 13,034                                   | 100%   | -0-                                   |
| 2008                                      | 2005                                  | 11,071                                   | 100%   | -0-                                   |

B. Risk Management

The Village of Bingham Farms is a member of the Michigan Municipal Liability and Property Pool for its general liability insurance coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Village of Bingham Farms and the pools to which it belongs in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION



VILLAGE OF BINGHAM FARMS  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2008

Required Supplementary Information for GASB 27

Schedule of Funding Progress

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)</u> | <u>Underfunded<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as a<br/>Percent of<br/>Covered Payroll</u> |
|---|--|--|---------------------------------------|-------------------------|----------------------------|---|
| 12/31/05                                | \$ 48,287                                | \$ 88,243  | \$39,956                              | 55%                     | \$140,964                  | 28%   |
| 12/31/06                                | 64,784                                   | 114,910  | 50,126                                | 56                      | 152,880                    | 33  |
| 12/31/07                                | 82,195                                   | 135,499  | 53,304                                | 61                      | 155,173                    | 34  |

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007 the latest actual valuation, follows:

|                               |                        |
|-------------------------------|------------------------|
| Actuarial cost method         | Entry age normal cost  |
| Amortization method           | Level percent          |
| Remaining amortization period | 30 years               |
| Asset valuation method        | 5-year smoothed market |
| Actuarial assumptions:        |                        |
| Investment rate of return     | 8%                     |
| Projected salary increases    |                        |
| Includes inflation at 4.5%    | 4.5 - 12.9%            |
| Cost of living adjustments    | None                   |



**VILLAGE OF BINGHAM FARMS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

|                                      | <b>Budgeted Amounts</b> |                     |                     | <b>Variance with</b> |
|--------------------------------------|-------------------------|---------------------|---------------------|----------------------|
|                                      | <b>Original</b>         | <b>Final</b>        | <b>Actual</b>       | <b>Final Budget</b>  |
| <b><u>Revenues:</u></b>              |                         |                     |                     |                      |
| Property Taxes                       | \$ 1,306,429            | \$ 1,306,429        | \$ 1,359,107        | \$ 52,678            |
| Intergovernmental - State            | 72,846                  | 72,846              | 72,767              | (79)                 |
| Charges for Services                 | 11,854                  | 11,854              | 12,604              | 750                  |
| Court Fines                          | 9,000                   | 9,000               | 9,049               | 49                   |
| Franchise Fees                       | 12,000                  | 12,000              | 11,257              | (743)                |
| Special Assessments                  | 269,725                 | 269,725             | 260,653             | (9,072)              |
| Interest Earnings                    | 66,616                  | 66,616              | 115,651             | 49,035               |
| Total Revenues                       | <u>1,748,470</u>        | <u>1,748,470</u>    | <u>1,841,088</u>    | <u>92,618</u>        |
| <b><u>Expenditures:</u></b>          |                         |                     |                     |                      |
| General Government:                  |                         |                     |                     |                      |
| Legislative                          | 866                     | 866                 | 1,238               | (372)                |
| Administrative                       | 306,597                 | 306,597             | 287,907             | 18,690               |
| Elections                            | 2,620                   | 2,620               | 1,242               | 1,378                |
| Attorney                             | 35,000                  | 35,000              | 25,245              | 9,755                |
| Rent and Utilities                   | 45,000                  | 45,000              | 39,433              | 5,567                |
| Total General Government             | <u>390,083</u>          | <u>390,083</u>      | <u>355,065</u>      | <u>35,018</u>        |
| Public Safety:                       |                         |                     |                     |                      |
| Police Protection                    | 673,165                 | 683,165             | 679,902             | 3,263                |
| Fire Protection                      | 267,035                 | 267,035             | 267,035             | -                    |
| Total Public Safety                  | <u>940,200</u>          | <u>950,200</u>      | <u>946,937</u>      | <u>3,263</u>         |
| Public Works:                        |                         |                     |                     |                      |
| Engineering                          | 13,000                  | 13,000              | 16,212              | (3,212)              |
| Rubbish Collection                   | 102,916                 | 102,916             | 91,197              | 11,719               |
| Pump Maintenance                     | 2,932                   | 2,932               | 2,733               | 199                  |
| Traffic and Street Lights            | 750                     | 750                 | 3,271               | (2,521)              |
| Total Public Works                   | <u>119,598</u>          | <u>119,598</u>      | <u>113,413</u>      | <u>6,185</u>         |
| Planning and Zoning                  | <u>12,257</u>           | <u>12,257</u>       | <u>10,705</u>       | <u>1,552</u>         |
| Library                              | <u>140,636</u>          | <u>130,636</u>      | <u>126,135</u>      | <u>4,501</u>         |
| Other Functions:                     |                         |                     |                     |                      |
| Insurance and Bonds                  | 15,696                  | 15,696              | 12,656              | 3,040                |
| Other                                | 30,000                  | 30,000              | -                   | 30,000               |
| Total Other Functions                | <u>45,696</u>           | <u>45,696</u>       | <u>12,656</u>       | <u>33,040</u>        |
| Total Expenditures                   | <u>1,648,470</u>        | <u>1,648,470</u>    | <u>1,564,911</u>    | <u>83,559</u>        |
| Excess of Revenues Over Expenditures | 100,000                 | 100,000             | 276,177             | 176,177              |
| Other Financing Uses:                |                         |                     |                     |                      |
| Operating Transfers Out              | <u>(300,000)</u>        | <u>(300,000)</u>    | <u>(300,000)</u>    | <u>-</u>             |
| Net Change in Fund Balance           | <u>(200,000)</u>        | <u>(200,000)</u>    | <u>(23,823)</u>     | <u>176,177</u>       |
| Fund Balance - July 1                | <u>2,099,011</u>        | <u>2,099,011</u>    | <u>2,099,011</u>    | <u>-</u>             |
| Fund Balance - June 30               | <u>\$ 1,899,011</u>     | <u>\$ 1,899,011</u> | <u>\$ 2,075,188</u> | <u>\$ 176,177</u>    |

**VILLAGE OF BINGHAM FARMS**  
**Major Streets Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

|  | <b><u>Budgeted Amounts</u></b> |                     |                      | <b><u>Variance with</u></b> |
|--|--------------------------------|---------------------|----------------------|-----------------------------|
|  | <b><u>Original</u></b>         | <b><u>Final</u></b> | <b><u>Actual</u></b> | <b><u>Final Budget</u></b>  |
| <b><u>Revenues:</u></b>                              |                                |                     |                      |                             |
| Intergovernmental-State                              | \$ 38,697                      | \$ 38,697           | \$ 38,667            | \$ (30)                     |
| Interest Income                                      | 800                            | 800                 | 9,246                | 8,446                       |
| Total Revenues                                       | <u>39,497</u>                  | <u>39,497</u>       | <u>47,913</u>        | <u>8,416</u>                |
| <b><u>Expenditures:</u></b>                          |                                |                     |                      |                             |
| Professional Services                                | 2,500                          | 2,500               | 2,519                | (19)                        |
| Routine Maintenance                                  | 49,732                         | 49,732              | 8,750                | 40,982                      |
| Winter Maintenance                                   | <u>15,750</u>                  | <u>15,750</u>       | <u>16,789</u>        | <u>(1,039)</u>              |
| Total Expenditures                                   | <u>67,982</u>                  | <u>67,982</u>       | <u>28,058</u>        | <u>39,924</u>               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (28,485)                       | (28,485)            | 19,855               | 48,340                      |
| Fund Balance, July 1                                 | <u>201,979</u>                 | <u>201,979</u>      | <u>201,979</u>       | <u>-</u>                    |
| Fund Balance, June 30                                | <u>\$ 173,494</u>              | <u>\$ 173,494</u>   | <u>\$ 221,834</u>    | <u>\$ 48,340</u>            |



**VILLAGE OF BINGHAM FARMS**  
**Local Streets Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

|  | <b><u>Budgeted Amounts</u></b> |                          | <b><u>Actual</u></b>     | <b><u>Variance with<br/>Final Budget</u></b> |
|--|--------------------------------|--------------------------|--------------------------|--|
|  | <b><u>Original</u></b>         | <b><u>Final</u></b>      |                          |  |
| <b><u>Revenues:</u></b>                              |                                |                          |                          |  |
| Intergovernmental-State                              | \$ 20,489                      | \$ 20,489                | \$ 20,457                | \$ (32)                                      |
| Interest Income                                      | 516                            | 516                      | 6,164                    | 5,648  |
| Total Revenues                                       | <u>21,005</u>                  | <u>21,005</u>            | <u>26,621</u>            | <u>5,616</u>                                 |
| <b><u>Expenditures:</u></b>                          |                                |                          |                          |  |
| Construction   | 300,000                        | 300,000                  | 132,215                  | 167,785                                      |
| Routine Maintenance                                  | 28,985                         | 28,985                   | 8,755                    | 20,230                                       |
| Winter Maintenance                                   | 10,000                         | 10,000                   | 11,193                   | (1,193)                                      |
| Total Expenditures                                   | <u>338,985</u>                 | <u>338,985</u>           | <u>152,163</u>           | <u>186,822</u>                               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(317,980)</u>               | <u>(317,980)</u>         | <u>(125,542)</u>         | <u>192,438</u>                               |
| <b><u>Other Financing Sources (Uses):</u></b>        |                                |                          |                          |  |
| Transfers In   | <u>300,000</u>                 | <u>300,000</u>           | <u>300,000</u>           | <u>-</u>                                     |
| Net Change in Fund Balance                           | (17,980)                       | (17,980)                 | 174,458                  | 192,438                                      |
| Fund Balance, July 1                                 | <u>210,445</u>                 | <u>210,445</u>           | <u>210,445</u>           | <u>-</u>                                     |
| Fund Balance, June 30                                | \$ <u><u>192,465</u></u>       | \$ <u><u>192,465</u></u> | \$ <u><u>384,903</u></u> | \$ <u><u>192,438</u></u>                     |



# **POST, SMYTHE, LUTZ and ZIEL**

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*Certified Public Accountants*

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October 20, 2008

Village President and Council  
Village of Bingham Farms  
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Village of Bingham Farms as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Due to the limited size of the administrative staff, segregation of duties is limited.

Also, as the accounting standards have grown increasingly complex, we do assist the Village with year end journal entries, and preparation of the financial statements.

Other Accounting Recommendations

The following are administrative items for Council's consideration:

The Village should consider a third-party payroll provider to process the payroll. The current payroll tax laws have grown increasingly complex, and a third-party provider would ensure that the payroll liabilities and reporting requirements are met.

Also, the Village currently utilizes an accounting software package where the accounting data can be easily altered and prone to errors. We recommend that the Village consider replacing the current software with an updated software package, which would create a general ledger and possibly even integrate the property tax functions. A general ledger package would allow all of the Village's funds to be recorded within one file, generate financial reports in an efficient manner, and create better internal controls.

Although the population of the Village allows the Village to file an audit biannually, we feel that the Village should consider an annual audit. Based on your accounting software and the limited size of the staff, it would be prudent for the Council to consider an annual audit.

This communication is intended solely for the information and use of management and the Village President and Council of the Village of Bingham Farms and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, reading "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants